

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 ISO-00 SES-02 SP-02 ICA-11 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 H-01 DODE-00 PA-01
DOE-15 SOE-02 SSM-03 (ISO) W
-----100817 152044Z /44

R 151535Z AUG 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2620
INFO AMEMBASSY ABU DHABI
AMCONSUL ALEXANDRIA
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT

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E.O. 11652: N/A
TAGS: EAID, EFIN, EG
SUBJ: ANNOUNCEMENT OF IMF FACILITY AND ARAB FUND LOAN
- APPROVALS
REF: (A) CAIRO 18484, (B) CAIRO 18485,
- (C) CAIRO 18396
1. SUMMARY. ALL CAIRO DAILIES AUGUST 15 CARRIED ANNOUNCE-
MENT OF APPROVALS OF SDR 600 MILLION IMF EXTENDED FUND
FACILITY (EFF) AND \$17.6 MILLION ARAB MONETARY FUND LOAN.
BOTH AGREEMENTS CHARACTERIZED AS SIGNIFICANT FOR BOP
SUPPORT.
2. NEWS OF FORMAL APPROVAL OF IMF/EFF ARRANGEMENT
CARRIED IN EGYPTIAN PRESS AUGUST 15. ARTICLES POINT TO
IMPROVEMENT IN BALANCE OF PAYMENTS AND GOE'S EFFORTS ON
INTERNAL PRICE FRONT AS MAJOR FACTORS IN LEADING TO AGREE-
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MENT. UNDER THREE-YEAR PROGRAM GOE WILL REPORTEDLY SEEK
TO MAINTAIN 8 PER CENT ANNUAL GROWTH RATE, LOWER INFLATION
TO 10 PER CENT PER ANNUM AND REDUCE FISCAL IMBALANCE
(READ: BUDGET DEFICIT). IMF FUNDS WILL HELP OFFSET EGYPT'S
FOREIGN EXCHANGE REQUIREMENTS AS ECONOMIC RECTIFICATION
ACCOMPLISHED.

3. SECOND ACHIEVEMENT NOTED BY PRESS IS ARAB MONETARY FUND (AMF) LOAN OF \$17.6 MILLION (REF A) ALSO DESIGNED AS BALANCE OF PAYMENTS SUPPORT. ACCORDING PRESS ACCOUNTS, LOAN IS FOR THREE YEARS WITH AN 18-MONTH GRACE PERIOD AT AN INTEREST RATE RANGING BETWEEN 3.75 AND 4.75 PER CENT. AGREEMENT WAS NEGOTIATED BY CENTRAL BANK GOVERNOR IBRAHIM DURING RECENT TRIP TO ABU DHABI. EGYPT AND SUDAN REPORTEDLY ARE FIRST TO BENEFIT FROM AMF SUPPORT.

4. COMMENT: PRESS PLAY OF ABOVE SEEMS CALCULATED TO DRAW ATTENTION FROM RATHER DISAPPOINTING NEGOTIATION WITH GODE (REFS B AND C), PARTICULARLY AS BOTH EFF AND AMF LOANS REPORTED IN PRESS PREVIOUSLY AS FAITS ACCOMPLIS. THIS POINT NOTWITHSTANDING, EMBASSY CALCULATES WITH THESE FUNDS (AND \$250 MILLION FROM GODE), MAJOR RELIANCE ON BANK FACILITIES MAY BE FORESTALLED FOR NEXT THREE MONTHS, DEPENDING ON EXPORT PERFORMANCE IN TEXTILE SECTOR, WHICH WILL NOT BE FULLY KNOWN UNTIL END OF YEAR. EILTS

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